

Message Text

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ACTION ARA-10

INFO OCT-01 NEA-06 ISO-00 FEA-01 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-01 CEA-01 PA-01 PRS-01 USIA-06 INT-05 /086 W

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R 061825Z DEC 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6766

INFO AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 9180

E.O. 11652: N/A

TAGS: EINV, EMIN, BR

SUBJECT: BRAZILIAN MINISTERIAL MISSION RETURNS FROM SAUDI
ARABIA AND KUWAIT/BRAZIL FLOATS BOND ISSUE IN KUWAIT

REF: BRASILIA 9135

1. SUMMARY - MINISTER OF PLANNING VELLOSO AND MINISTER OF MINES
AND ENERGY UEKI RETURNED THIS WEEK FROM TRIP TO SAUDI ARABIA AND
KUWAIT. PURPOSE OF MISSION WAS TWO-FOLD: ONE, TO OBTAIN SUPPLY
GUARANTEES FOR PETROLEUM AND, IF POSSIBLE, WORK OUT SOME SPECIAL
FINANCING ARRANGEMENTS; AND TWO, TO CONTINUE BRAZIL /ARAB
DIALOGUE ON ARAB INVESTMENT AND FINANCING IN BRAZIL AND, CON-
VERSELY, BRAZILIAN TECHNICAL ASSISTANCE AND CAPITAL PARTICIPATION
IN ARAB INDUSTRIALIZATION EFFORTS. AS PART OF THIS STRATEGY --
SUBSTANCE ASIDE -- MISSION'S OBJECTIVE WAS TO BUILD CLOSER
PERSONAL RELATIONS WITH ARAB LEADERS. AS A FIRST STEP,
BRAZILIAN PRESS REPORTS MISSION TO HAVE BEEN SUCCESSFUL,
PARTICULARLY WITH REGARD TO POSSIBILITY OF ARAB INVESTMENT IN
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BRAZIL. BRAZIL WILL FLOAT \$25 MILLION BOND ISSUE IN KUWAIT

THIS MONTH. END OF SUMMARY.

2. GOB MISSION, LED BY MINISTER OF PLANNING VELLOSO AND MINISTER OF MINES & ENERGY UEKI, RETURNED NOVEMBER 30 FROM SAUDI ARABIA AND KUWAIT. IN BRIEFING PRESS, VELLOSO DID NOT PROVIDE DETAILS ON PETROLEUM ASPECTS OF VISIT BUT EMPHASIZED THAT BRAZIL WOULD NOT HAVE TO BE CONCERNED ABOUT ADEQUACY OF SUPPLIES WHILE DEVELOPING ITS OWN RESERVES; ARABS CLASSIFY BRAZIL AS "FRIENDLY COUNTRY". ACCORDING TO PRESS, BRAZILIAN MISSION SIGNED AGREEMENT WITH KUWAIT FOR SUPPLY OF CRUDE PETROLEUM.

3. REGARDING FINANCIAL AND INVESTMENT ASPECTS OF VISIT, VELLOSO, IN THE INTERVIEW, SPOKE OF "NEED IN THESE TIMES OF TIGHTNESS IN INTERNATIONAL LIQUIDITY FOR COOPERATION WITH COUNTRIES THAT WILL BE TOMORROW'S EXPORTERS OF CAPITAL". BRAZIL'S STRATEGY WOULD BE TO BUILD BILATERAL TIES WITH EACH OF THE MIDEASTERN COUNTRIES. IN CASE OF SAUDI ARABIA, STRATEGY WAS ONE OF ECONOMIC "COMPLEMENTARITY", TO BE IMPLEMENTED THROUGH BINATIONAL OR TRINATIONAL PROJECTS. BRAZIL WOULD FURNISH NATURAL RESOURCES, SAUDI ARABI CAPITAL; WHEN NECESSARY, INVESTOR FROM INDUSTRIAL COUNTRY SUCH AS GERMANY, JAPAN OR THE US, COULD PARTICIPATE BY PROVIDING KNOW-HOW AND EQUIPMENT. PROJECTS SUBMITTED BY BRAZILIAN DELEGATION TO SAUDI ARABIS'S INTERNATIONAL DEVELOPMENT FUND, INCLUDE THE USE OF BRAZILIAN RESOURCES, SUCH AS BAUXITE, IRON ORE, SUGAR, MEAT AND SOYBEANS.

4. VELLOSO ALSO ANNOUNCED PLANS FOR A KUWAITI/BRAZILIAN INVESTMENT COMPANY. A MIXED COMMISSION WILL BE SET UP TO IDENTIFY AND DEVELOP JOINT PROJECTS. DETAILS OF PROJECTS DISCUSSED DURING THIS PARTICULAR MISSION APPARENTLY STILL REMAIN TO BE WORKED OUT.

5. IN RELATED DEVELOPMENT, BRAZILIAN GOVERNMENT ANNOUNCED SIGNING OF AGREEMENT WITH A CONSORTIUM OF ARAB BANKS, HEADED BY THE ARAB FINANCE CORP., TO FLOAT A \$25 MILLION DOLLAR DENOMINATED BOND ISSUE THIS MONTH. THESE BONDS CARRY A TEN-YEAR MATURITY AND OFFER THE PURCHASER THE CHOICE OF TWO RATES OF INTEREST: A FIXED RATE OF 10.75 PERCENT OR A FLOATING RATE ADJUSTED SEMI-ANNUALLY AT 1.5 PERCENT ABOVE THE EURODOLLAR LIMITED OFFICIAL USE

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RATE (NOT SPECIFIED) FOR THE FIRST FIVE YEARS AN AT 1.625 PERCENT FOR THE REMAINING FIVE YEARS. THE BONDS MAY NOT BE PURCHASED BY RESIDENTS OF INDUSTRIAL COUNTRIES. IT IS THE FIRST SUCH OPERATION TO BE UNDERTAKEN BY A GROUP OF ARAB BANKS, WHICH HAS BEEN INTERPRETED BY SOME OBSERVERS AS A POSSIBLE INDICATION OF A NEW INVESTMENT PATTERN BY ARAB COUNTRIES.

6. BRAZILIAN EFFORTS TO STRENGTHEN RELATIONS WITH THE MID-EAST

WILL BE CONTINUED WITH MUTUAL VISITS OF COMMERCIAL MISSIONS;
THE NEXT VISIT HAS BEEN SET FOR JANUARY WHEN FOREIGN MINISTER
OF KUWAIT WILL VISIT BRAZIL. PRESS ALSO REPORTED THAT GOB
DELEGATION DISCUSSED POSSIBLE VISIT BY KING FAISAL OF SAUDI
ARABIA. PRESS SUGGESTS THAT FEBRUARY VISIT BY KING TO
VENEZUELA WOULD PROVIDE OPPORTUNITY FOR STOP-OVER
IN BRAZIL. EMBASSY IS CHECKING WITH FONOFF TO ASCERTAIN STATUS
OF POSSIBLE VISIT.
JOHNSON

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